

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Sciota	County Shiawassee
Fiscal Year End March 31, 2008	Opinion Date June 3, 2008	Date Audit Report Submitted to State June 6, 2008	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Authorizing CPA Signature 		Printed Name Mark J. Campbell	Zip 48707
		License Number 1101007803	

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 3, 2008

To the Township Board
Township of Sciota
Shiawassee County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sciota, Shiawassee County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sciota's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sciota, Shiawassee County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Sciota covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$191,554.34 for governmental activities.

Overall revenues were \$303,608.67 from governmental activities. Governmental activities had a \$8,196.93 decrease in net assets with major road improvements of \$148,439.09.

The Township did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Current Tax Collection Fund.

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	166 012	140 629
Capital Assets	<u>135 144</u>	<u>140 400</u>
Total Assets	<u>301 156</u>	<u>281 029</u>
Current Liabilities	-	-
Non-current Liabilities	<u>101 405</u>	<u>89 475</u>
Total Liabilities	<u>101 405</u>	<u>89 475</u>
Net Assets:		
Invested in Capital Assets	33 739	50 925
Unrestricted	<u>166 012</u>	<u>140 629</u>
Total Net Assets	<u><u>199 751</u></u>	<u><u>191 554</u></u>
	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:		
Fees and Charges for Services	66 084	73 806
Operating Grants and Contributions	2 500	-
General Revenues:		
Property Taxes	85 845	90 642
State Revenue Sharing	126 547	126 965
Interest	3 151	2 799
Miscellaneous	<u>4 879</u>	<u>9 396</u>
Total Revenues	<u>289 006</u>	<u>303 608</u>
Program Expenses:		
Legislative	8 762	9 298
General Government	60 366	49 279
Public Safety	80 646	80 627
Public Works	111 035	153 992
Recreation and Culture	4 000	4 500
Other	9 207	9 691
Interest on Long-Term Debt	<u>4 960</u>	<u>4 418</u>
Total Expenses	<u>278 976</u>	<u>311 805</u>
Increase (Decrease) in Net Assets	10 030	(8 197)
Net Assets, April 1	<u>189 721</u>	<u>199 751</u>
Net Assets, March 31	<u><u>199 751</u></u>	<u><u>191 554</u></u>

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$148,439.09, and fire protection which incurred expenses of \$47,003.15.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$11,930.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at 517-651-5540 or the Township Treasurer at 517-651-5788.

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	128 163 50
Taxes receivable	<u>12 465 84</u>
Total Current Assets	<u>140 629 34</u>
NON-CURRENT ASSETS:	
Capital Assets	166 311 52
Less: Accumulated Depreciation	<u>(25 911 52)</u>
Total Non-current Assets	<u>140 400 00</u>
TOTAL ASSETS	<u><u>281 029 34</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	
Loan Payable	<u>89 475 00</u>
Total Non-current Liabilities	<u>89 475 00</u>
Total Liabilities	<u>89 475 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	50 925 00
Unrestricted	<u>140 629 34</u>
Total Net Assets	<u>191 554 34</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>281 029 34</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

		<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	9 297 62	-	(9 297 62)
General government	49 278 91	8 166 31	(41 112 60)
Public safety	80 627 35	31 140 00	(49 487 35)
Public works	153 992 53	34 500 00	(119 492 53)
Culture and recreation	4 500 00	-	(4 500 00)
Other	9 690 65	-	(9 690 65)
Interest on long-term debt	4 418 54	-	(4 418 54)
Total Governmental Activities	<u>311 805 60</u>	<u>73 806 31</u>	<u>(237 999 29)</u>
General Revenues:			
Property taxes			90 642 06
State revenue sharing			126 964 78
Interest			2 799 09
Miscellaneous			<u>9 396 43</u>
Total General Revenues			<u>229 802 36</u>
Change in net assets			(8 196 93)
Net assets, beginning of year			<u>199 751 27</u>
Net Assets, End of Year			<u>191 554 34</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2008

	Total (General)
<u>Assets</u>	
Cash in bank	122 879 93
Taxes receivable	12 465 84
Due from other funds	<u>5 283 57</u>
Total Assets	<u>140 629 34</u>
<u>Liabilities and Fund Equity</u>	
Liabilities	<u>-</u>
Total liabilities	<u>-</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>140 629 34</u>
Total fund equity	<u>140 629 34</u>
Total Liabilities and Fund Equity	<u>140 629 34</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	140 629 34
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	166 311 52
Accumulated depreciation	(25 911 52)
Long-term debt liabilities are not due and payable in the current period and therefore are not recorded in the governmental funds	
Loan payable	<u>(89 475 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>191 554 34</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>Total (General)</u>
Revenues:	
Property taxes	90 642 06
Licenses and permits	2 829 29
State revenue sharing	126 964 78
Charges for services	5 337 02
Interest	2 799 09
Special assessments	65 640 00
Miscellaneous	<u>9 396 43</u>
Total revenues	<u>303 608 67</u>
Expenditures:	
Legislative:	
Township Board	9 297 62
General government:	
Supervisor	9 457 17
Elections	835 27
Assessor	9 797 98
Clerk	9 777 23
Board of Review	1 334 50
Treasurer	12 628 67
Building and grounds	1 860 19
Cemetery	1 543 90
Public safety:	
Fire protection	47 003 15
Ambulance	31 095 00
Planning Commission	2 529 20
Public works:	
Highways and streets	148 439 09
Drains	5 553 44
Culture and recreation:	
Library	4 500 00
Other:	
Insurance	6 322 00
Pension	3 368 65
Capital outlay	7 300 00
Debt service	<u>16 348 54</u>
Total expenditures	<u>328 991 60</u>
Excess (deficiency) of revenues over expenditures	(25 382 93)
Fund balance, April 1	<u>166 012 27</u>
Fund Balance, March 31	<u><u>140 629 34</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (25 382 93)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(2 044 00)
Capital Outlay	7 300 00

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does reduce
the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>11 930 00</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(8 196 93)</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sciota, Shiawassee County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sciota. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

The Township is a member of the LSW Emergency Services Authority. The Township appoints one member to the joint venture's governing board, which then approves the annual budget. Financial information of the joint venture may be obtained from the Authority at 607 E. Grand River in Laingsburg, Michigan.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 1.8275 mills, and the taxable value was \$49,604,351.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	20 years
Furniture and equipment	8-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one financial institution for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>128 163 50</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>37 372 53</u>
Total Deposits	<u>137 372 53</u>

The Township of Sciota did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land and improvements	124 300 00	-	-	124 300 00
Building	19 739 52	-	-	19 739 52
Equipment	14 972 00	7 300 00	-	22 272 00
Total	159 011 52	7 300 00	-	166 311 52
Accumulated Depreciation	(23 867 52)	(2 044 00)	-	(25 911 52)
Net Capital Assets	135 144 00	5 256 00	-	140 400 00

Note 5 – Changes in Governmental Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
Loan payable - land purchase	101 405 00	-	11 930 00	89 475 00

Note 6 – Loan Payable – Land Purchase

On July 11, 2005, the Township obtained a loan in the amount of \$119,300.00 to fund the purchase of land. The loan requires semi-annual payments for ten years in the amount of \$5,965.00 including interest at the rate of 4.50% per annum. As of March 31, 2008, the principal balance outstanding was \$89,475.00.

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 7 – Pension Plan

The Township has a defined contribution pension plan covering substantially all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2008, was \$3,368.65.

Note 8 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Building Permits

The Township of Sciota does not issue building permits. Building permits are issued by the County of Shiawassee.

Note 11 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>5 283 57</u>	Current Tax Collection	<u>5 283 57</u>

Note 12 – Budget Variances

During the fiscal year ended March 31, 2008, Township expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Fire protection	42 000 00	47 003 15	5 003 15
Ambulance	30 200 00	31 095 00	895 00
Drains	4 000 00	5 553 44	1 553 44

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	82 300 00	82 300 00	90 642 06	8 342 06
Licenses and permits	570 00	570 00	2 829 29	2 259 29
State revenue sharing	168 500 00	168 500 00	126 964 78	(41 535 22)
Charges for services:				
Other	2 450 00	2 450 00	5 337 02	2 887 02
Interest	1 500 00	1 500 00	2 799 09	1 299 09
Special assessments	59 700 00	59 200 00	65 640 00	6 440 00
Miscellaneous	5 000 00	5 000 00	9 396 43	4 396 43
Total revenues	320 020 00	319 520 00	303 608 67	(15 911 33)
Expenditures:				
Legislative:				
Township Board	11 876 00	11 876 00	9 297 62	(2 578 38)
General government:				
Supervisor	9 979 00	9 978 76	9 457 17	(521 59)
Elections	2 400 00	2 400 00	835 27	(1 564 73)
Assessor	10 043 00	10 043 00	9 797 98	(245 02)
Clerk	10 829 00	10 828 76	9 777 23	(1 051 53)
Board of Review	2 400 00	2 400 00	1 334 50	(1 065 50)
Treasurer	13 889 00	13 888 76	12 628 67	(1 260 09)
Building and grounds	4 150 00	4 150 00	1 860 19	(2 289 81)
Cemetery	2 730 00	2 730 00	1 543 90	(1 186 10)
Public safety				
Fire protection	42 000 00	42 000 00	47 003 15	5 003 15
Ambulance	30 200 00	30 200 00	31 095 00	895 00
Planning Commission	4 550 00	4 550 00	2 529 20	(2 020 80)
Public works:				
Highways and streets	179 345 00	179 344 72	148 439 09	(30 905 63)
Drains	4 000 00	4 000 00	5 553 44	1 553 44
Culture and recreation:				
Library	4 500 00	4 500 00	4 500 00	-
Other:				
Insurance	6 750 00	6 750 00	6 322 00	(428 00)
Pension	4 000 00	4 000 00	3 368 65	(631 35)
Contingency	117 744 00	117 744 84	-	(117 744 84)
Capital outlay	-	-	7 300 00	7 300 00
Debt service	16 880 00	16 880 00	16 348 54	(531 46)
Total expenditures	478 265 00	478 264 84	328 991 60	(149 273 24)
Excess (deficiency) of revenues over expenditures	(158 245 00)	(158 744 84)	(25 382 93)	133 361 91
Fund balance, April 1	158 744 80	158 744 84	166 012 27	7 267 43
Fund Balance, March 31	499 80	-	140 629 34	140 629 34

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Salaries and per diem	2 880 00
Contracted services	1 801 00
Payroll taxes	960 71
Audit	2 200 00
Membership and dues	943 32
Miscellaneous	512 59
	<u>9 297 62</u>
Supervisor:	
Salary	7 308 00
Deputy	1 440 00
Miscellaneous	709 17
	<u>9 457 17</u>
Elections:	
Wages	715 00
Miscellaneous	120 27
	<u>835 27</u>
Assessor:	
Contracted services	8 743 00
Miscellaneous	1 054 98
	<u>9 797 98</u>
Clerk:	
Salary	7 308 00
Deputy	1 440 00
Miscellaneous	1 029 23
	<u>9 777 23</u>
Board of Review	<u>1 334 50</u>
Treasurer:	
Salary	7 308 00
Deputy	1 440 00
Miscellaneous	3 880 67
	<u>12 628 67</u>
Building and grounds	<u>1 860 19</u>
Cemetery:	
Repairs and maintenance	<u>1 543 90</u>
Fire protection:	
Contracted services	<u>47 003 15</u>
Ambulance	<u>31 095 00</u>
Planning Commission	<u>2 529 20</u>
Highways and streets:	
Contracted services	<u>148 439 09</u>
Drains	<u>5 553 44</u>
Library	<u>4 500 00</u>

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Insurance	<u>6 322 00</u>
Pension	<u>3 368 65</u>
Capital outlay	<u>7 300 00</u>
Debt service	<u>16 348 54</u>
Total Expenditures	<u><u>328 991 60</u></u>

TOWNSHIP OF SCIOTA
Shiawassee County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>6 383 45</u>	<u>1 394 922 43</u>	<u>1 396 022 31</u>	<u>5 283 57</u>
<u>Liabilities</u>				
Due to other funds	6 383 45	147 117 46	148 217 34	5 283 57
Due to other taxing units	<u>-</u>	<u>1 247 804 97</u>	<u>1 247 804 97</u>	<u>-</u>
Total Liabilities	<u>6 383 45</u>	<u>1 394 922 43</u>	<u>1 396 022 31</u>	<u>5 283 57</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 3, 2008

To the Township Board
Township of Sciota
Shiawassee County, Michigan

We have audited the financial statements of the Township of Sciota for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sciota in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Sciota
Shiawassee County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants